

House File 2262 - Introduced

HOUSE FILE _____
BY JOCHUM

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act authorizing cities to allow retail businesses locating in
2 downtown areas to provide refunds of sales taxes paid by
3 customers.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 5128YH 82
6 mg/sc/5

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1 1 Section 1. Section 423.4, Code Supplement 2007, is amended
1 2 by adding the following new subsection:
1 3 NEW SUBSECTION. 9. a. In order to assist a city in
1 4 attracting new retail businesses to its downtown area, a city
1 5 may establish sales tax refund districts within the downtown
1 6 area that authorizes new retail businesses locating in those
1 7 areas to provide refunds of state sales taxes imposed on their
1 8 customers as provided in this subsection. Any local option
1 9 taxes paid and collected shall not be subject to refund under
1 10 this subsection.
1 11 b. To establish a sales tax refund district, the city
1 12 council shall adopt an ordinance that specifically delineates
1 13 the boundaries of the district and the length of time the
1 14 district shall be in existence, not to exceed ten years. The
1 15 ordinance shall take effect on the beginning of the calendar
1 16 quarter immediately following adoption of the ordinance
1 17 establishing the district. The ordinance shall provide that
1 18 retail businesses first locating in the district after the
1 19 effective date of the ordinance may, after receiving approval
1 20 from the city council, provide state sales tax refunds in the
1 21 manner described in paragraph "d".
1 22 c. A retail business first locating in a sales tax refund
1 23 district after the district has been created and upon approval
1 24 of the city council may provide refunds to its customers of
1 25 the state sales taxes imposed under this chapter for a period
1 26 of five years. The five-year period begins with the first day
1 27 of the second month following the approval of the city council
1 28 and ending on the last day of the month five years later. A
1 29 city shall notify the director of revenue within fifteen days
1 30 of approval of a business to provide sales tax refunds. A
1 31 city shall not approve a business to provide sales tax refunds
1 32 after the time period specified in the ordinance for the
1 33 duration of the sales tax refund district has expired.
1 34 However, a business receiving approval prior to the end of
1 35 such specified period may provide sales tax refunds until the
2 1 end of its five-year period.
2 2 d. To provide sales tax refunds to its customers, the
2 3 business shall proceed as follows:
2 4 (1) Compute the state sales tax on the total sales price
2 5 of the taxable sales of tangible personal property and taxable
2 6 services.
2 7 (2) Reduce the customer's total bill by the amount
2 8 computed under subparagraph (1). The resulting amount is the
2 9 amount owed to the business by the customer.
2 10 e. A business authorized to provide for sales tax refunds
2 11 pursuant to this subsection may advertise, hold out, or
2 12 otherwise state to the public or any purchaser or customer
2 13 that the business will assume or absorb the state sales tax
2 14 notwithstanding section 423.24 or other provision of law to
2 15 the contrary.
2 16 f. A business authorized to provide for sales tax refunds
2 17 under this subsection shall file sales tax returns as required
2 18 in this chapter and shall receive a credit on the sales tax
2 19 return for the amount of sales tax refunds provided to

2 20 customers as provided in paragraph "d", subparagraph (2).

2 21 EXPLANATION

2 22 This bill permits cities to designate sales tax refund
2 23 districts within their downtown areas where newly located
2 24 retail businesses would be allowed to provide refunds, i.e.,
2 25 sales tax exemptions, of state sales tax. To designate an
2 26 area as a sales tax refund district, a city shall enact an
2 27 ordinance delineating the boundaries of the area and
2 28 specifying the length of time the district would be in
2 29 existence, not to exceed 10 years. Only retail businesses
2 30 locating in the sales tax refund district after the area was
2 31 designated such a district may provide for sales tax refunds.
2 32 The retail businesses may provide for sales tax refunds for
2 33 five years. The amount of refunds is computed by determining
2 34 the total cost to the consumer including the state sales tax
2 35 and then subtracting from that total amount the amount of the
3 1 state sales tax included in determining the total cost. Local
3 2 option taxes would not be refunded under the bill.
3 3 LSB 5128YH 82
3 4 mg/sc/5